



Texas Windstorm Insurance Association

Presentation to the Joint Interim Committee to Study Seacoast Territory Insurance

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TWIA Overview

- **The Texas Windstorm Insurance Association (TWIA), known as the Texas Catastrophe Property Insurance Association (TCPIA) until September 1, 1997, was established by the Texas Legislature in 1971 as a mechanism to provide wind and hail coverage to applicants unable to obtain insurance in the voluntary market. The Legislature’s action was a response to market constrictions along the Texas Gulf Coast after several hurricanes.**
- **Since its inception, the legislature has made it clear that TWIA was to write limited coverage for wind and hail in order to provide for the “orderly economic growth of the Coastal counties.” Persons who own businesses and/or residences in the following counties are eligible for coverage through TWIA: Aransas, Brazoria, Calhoun, Cameron, Chambers, Galveston, Jefferson, Kennedy, Kleberg, Matagorda, Nueces, Refugio, San Patricio, Willacy. In addition, portions of Harris County east of Highway 146 are also eligible.**
- **TWIA operates on a daily basis as an insurance company by issuing policies, collecting premiums and paying losses. All calendar-year earnings (profits) of the Association, if any, are transferred to a state-owned Catastrophe Reserve Trust Fund (CRTF). The State Controller holds the CRTF money in the name of the Texas Department of Insurance. These funds are to be used after a storm, or series of storms, to pay loss and loss adjustment expenses.**
- **At present there is approximately \$175 million in the CRTF.**
- **Pursuant to legislation adopted in 2009, TWIA funding in excess of premiums and the CRTF is provided by up to \$2.5 billion in public securities. These securities are repaid at various levels from TWIA premiums, catastrophe area surcharges, and assessments to TWIA member companies. TWIA may purchase reinsurance in addition to or in concert with this funding.**



2012 Maximum Limits of Liability

<u>Coverage</u>	<u>2012 Limits</u>	<u>Proposed 2013 Limits</u>
Dwellings and Individually Owned Townhouses and Corporeal Movable Property	\$1,773,000	\$1,809,000
Individually Owned Corporeal Movable Property in Apartments, Condominiums, or Townhouses	\$374,000	\$379,000
Commercial Buildings and Corporeal Movable Property	\$4,424,000	\$4,508,000
Governmental Buildings and Corporeal Movable Property	\$4,424,000	\$4,508,000

Pursuant to Texas Insurance Code §2210.502, maximum limits are adjusted annually as approved by the Commissioner of Insurance



Liability In-Force 2000 – 2011

<u>Year</u>	<u>Gross In-Force Liability</u>	<u>Percentage Change Over Prior Year</u>
2000	12,052,604,254	0.67%
2001	13,249,406,793	9.93%
2002	16,003,048,280	20.78%
2003	18,824,457,208	17.63%
2004	20,796,655,763	10.48%
2005	23,263,934,405	11.86%
2006	38,313,022,160	64.69%
2007	58,641,546,243	53.06%
2008	58,585,060,464	-0.10%
2009	64,405,791,112	9.94%
2010	67,452,356,800	4.73%
2011	71,083,333,174	5.38%

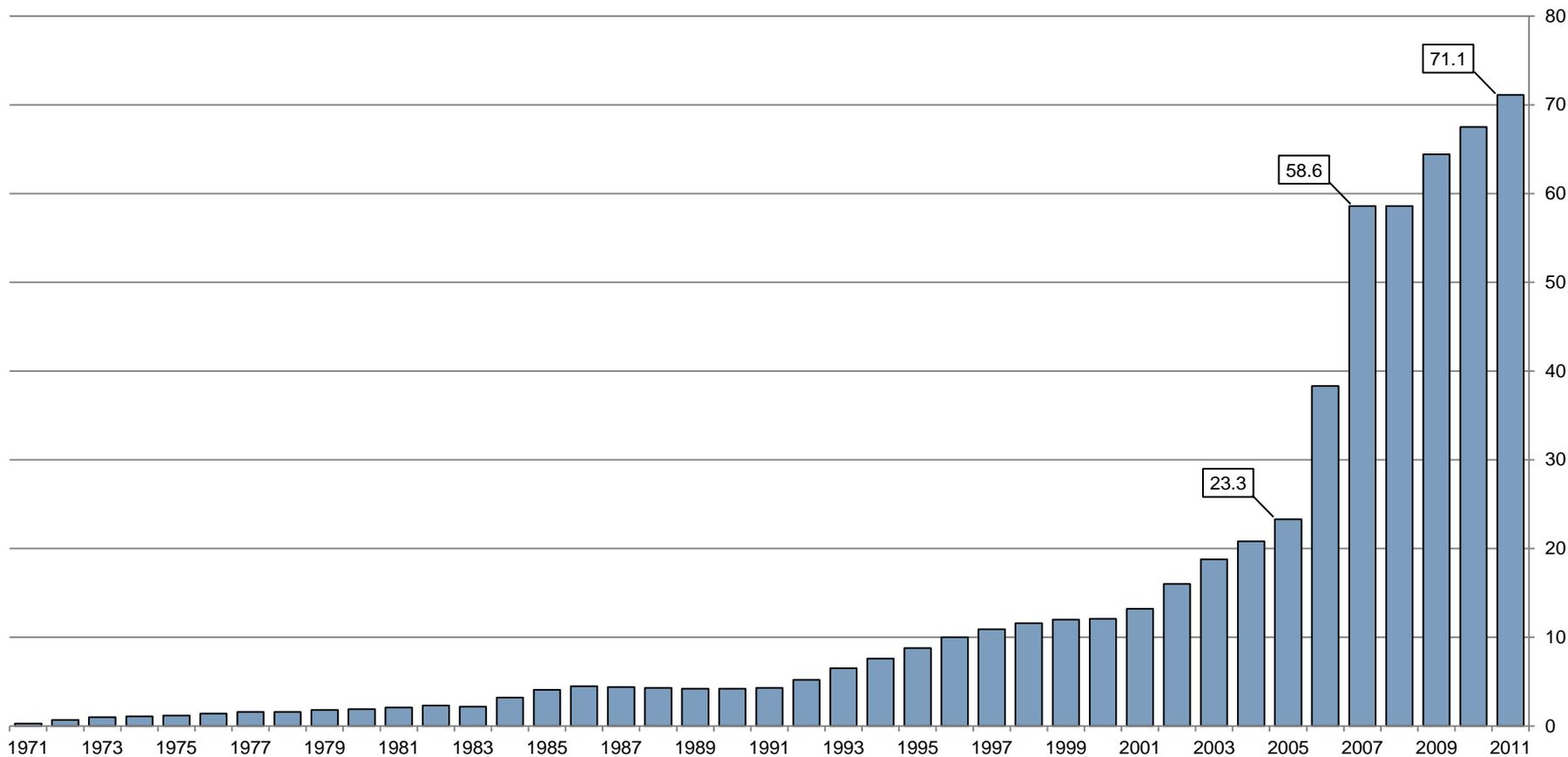
Notes: Exposures shown are building and contents only



Historical Growth

Exposures 1971 - 2011

Building and Contents Liability In-Force (\$Billions)

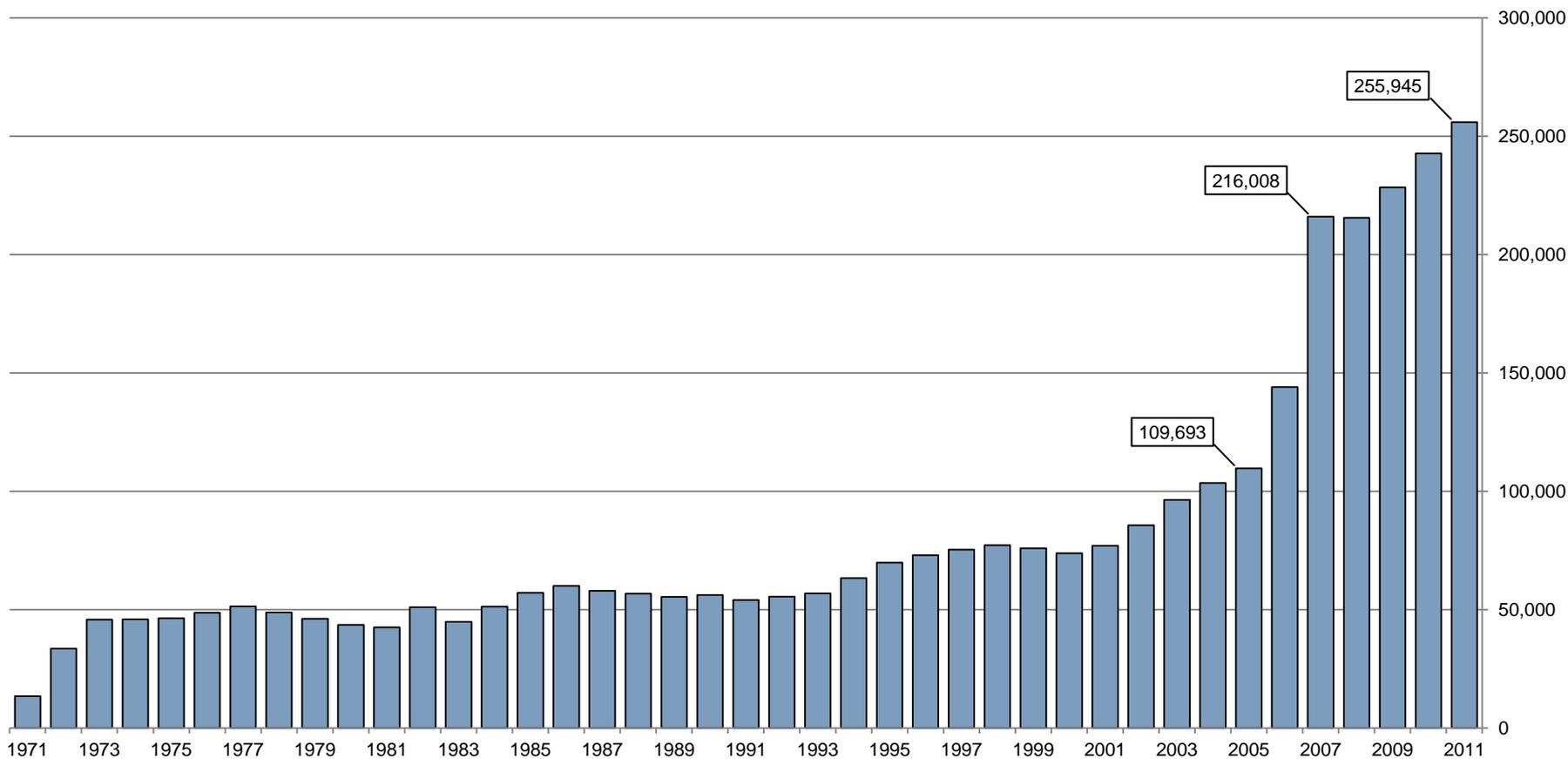




Historical Growth

Policies 1971 - 2011

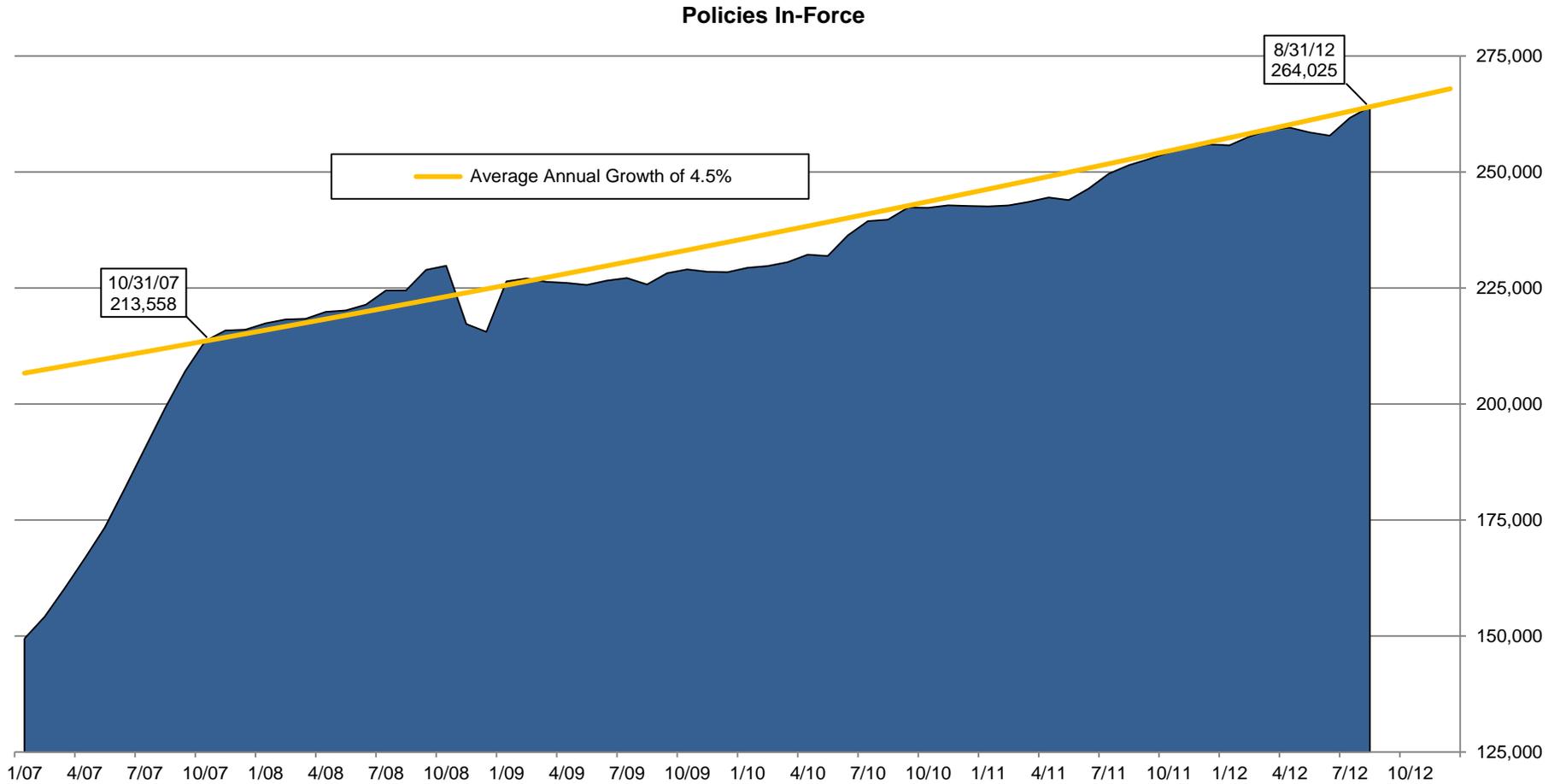
Policies In-Force





Historical Growth

Policies 2007 - 2012





Total Exposure

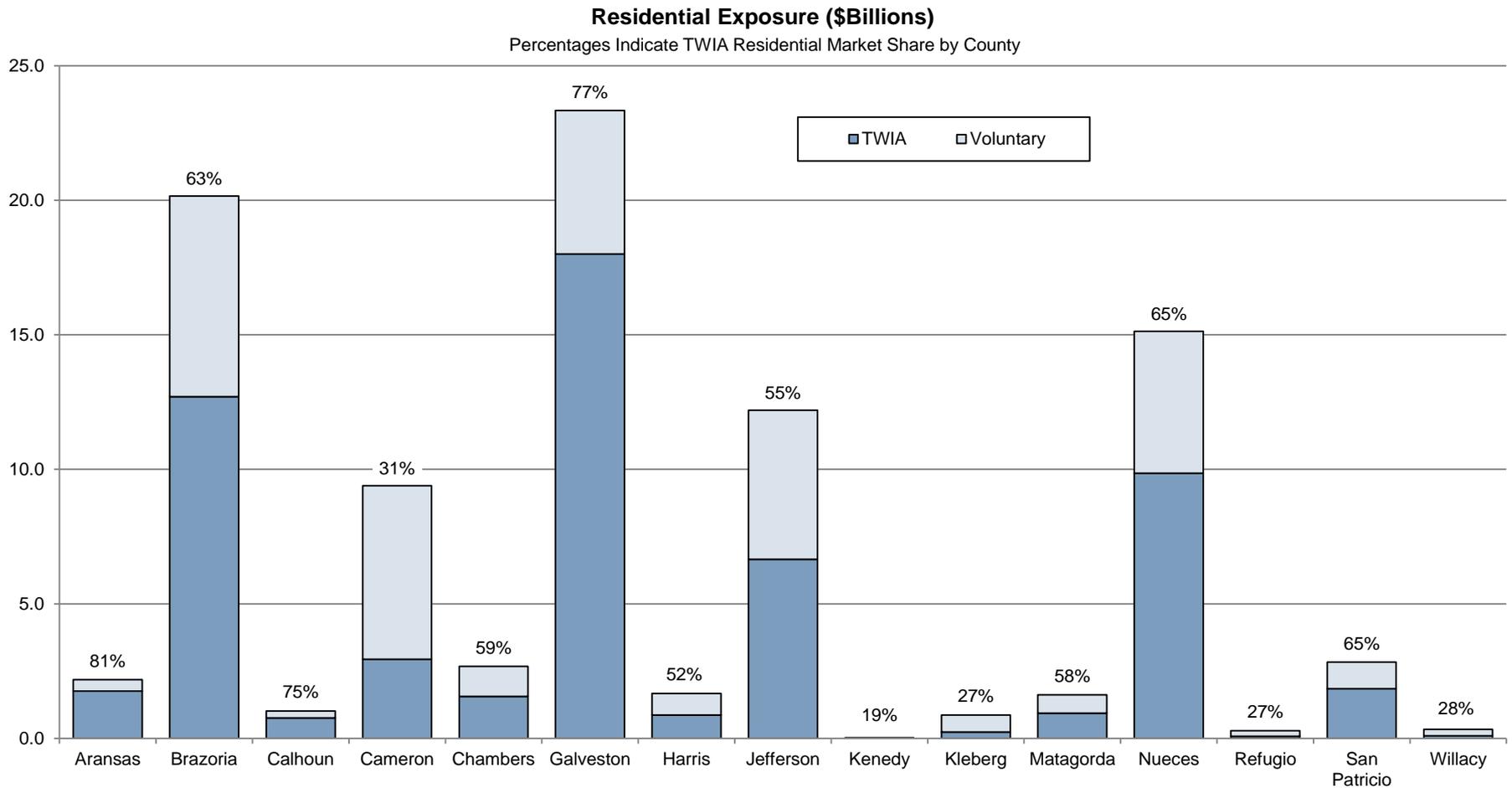
Evaluated as of 8/31/12

Buildings and Contents	\$69,577,944,525
Additional Living Expense	\$ 6,853,567,958
Business Income	<u>\$ 386,397,945</u>
Total	\$76,817,910,428



TWIA Market Share

Residential Exposure by County as of 2011





Statistical Report

Evaluated as of 8/31/12

County	<u>Policies In-Force</u>		# Gain	% Gain	<u>Liability In-Force</u>		# Gain	% Gain
	at 8/31/11	at 8/31/12			at 8/31/11	at 8/31/12		
Aransas	6,743	6,810	67	1.00	2,097,375,196	2,022,650,366	-74,724,830	-3.60
Brazoria	48,476	51,313	2,837	5.90	13,591,512,376	13,581,060,315	-10,452,061	-0.10
Calhoun	4,233	4,231	-2	0.00	947,276,145	912,781,654	-34,494,491	-3.60
Cameron	17,661	17,722	61	0.30	4,824,158,415	4,655,637,346	-168,521,069	-3.50
Chambers	5,519	5,853	334	6.10	1,649,781,220	1,635,136,236	-14,644,984	-0.90
Galveston	68,594	71,279	2,685	3.90	21,415,424,883	21,055,640,730	-359,784,153	-1.70
Harris	3,309	3,705	396	12.00	920,978,713	988,292,514	67,313,801	7.30
Jefferson	31,703	36,923	5,220	16.50	7,637,667,935	8,172,514,466	534,846,531	7.00
Kenedy	23	24	1	4.30	5,356,115	7,188,282	1,832,167	34.20
Kleberg	1,466	1,471	5	0.30	409,980,426	319,761,177	-90,219,249	-22.00
Matagorda	5,008	5,427	419	8.40	1,049,301,329	1,117,384,580	68,083,251	6.50
Nueces	49,121	49,660	539	1.10	12,774,512,712	12,784,492,786	9,980,074	0.10
Refugio	460	444	-16	-3.50	123,307,503	108,316,718	-14,990,785	-12.20
San Patricio	8,526	8,547	21	0.20	2,188,048,526	2,092,039,278	-96,009,248	-4.40
Willacy	616	616	0	0.00	130,851,584	125,048,077	-5,803,507	-4.40
Total:	251,458	264,025	12,567	5.00	69,765,533,078	69,577,944,525	-187,588,553	-0.27

Notes: Exposures shown are building and contents only
 Reduction in Liability In-Force is due to a reduction in higher-valued commercial / governmental policies



Distribution By County and Class of Business

Evaluated as of 8/31/12

County	Policies In-Force				Exposures In-Force			
	Residential	Commercial	Governmental	Total	Residential	Commercial	Governmental	Total
Aransas	6,321	480	9	6,810	1,683,132,692	319,709,741	19,807,933	2,022,650,366
Brazoria	49,690	1,574	49	51,313	12,259,597,509	1,072,372,153	249,090,653	13,581,060,315
Calhoun	3,929	288	14	4,231	737,835,618	145,765,367	29,180,669	912,781,654
Cameron	16,412	1,273	37	17,722	2,885,819,687	1,522,029,689	247,787,970	4,655,637,346
Chambers	5,636	211	6	5,853	1,502,194,664	99,709,206	33,232,366	1,635,136,236
Galveston	68,177	3,037	65	71,279	17,439,863,447	3,014,284,442	601,492,841	21,055,640,730
Harris	3,570	133	2	3,705	880,132,745	107,765,239	394,530	988,292,514
Jefferson	35,275	1,619	29	36,923	6,925,150,586	1,168,394,109	78,969,771	8,172,514,466
Kenedy	23	0	1	24	6,505,968	0	682,314	7,188,282
Kleberg	1,363	103	5	1,471	229,675,666	50,011,791	40,073,720	319,761,177
Matagorda	5,109	305	13	5,427	952,565,008	142,921,836	21,897,736	1,117,384,580
Nueces	46,566	3,048	46	49,660	9,557,037,138	2,971,016,908	256,438,741	12,784,492,786
Refugio	389	48	7	444	74,141,059	27,277,880	6,897,779	108,316,718
San Patricio	8,089	430	28	8,547	1,777,238,032	253,593,703	61,207,543	2,092,039,278
Willacy	554	55	7	616	90,839,723	29,754,985	4,453,369	125,048,077
Total	251,103	12,603	319	264,025	57,001,729,542	10,924,607,048	1,651,607,935	69,577,944,525

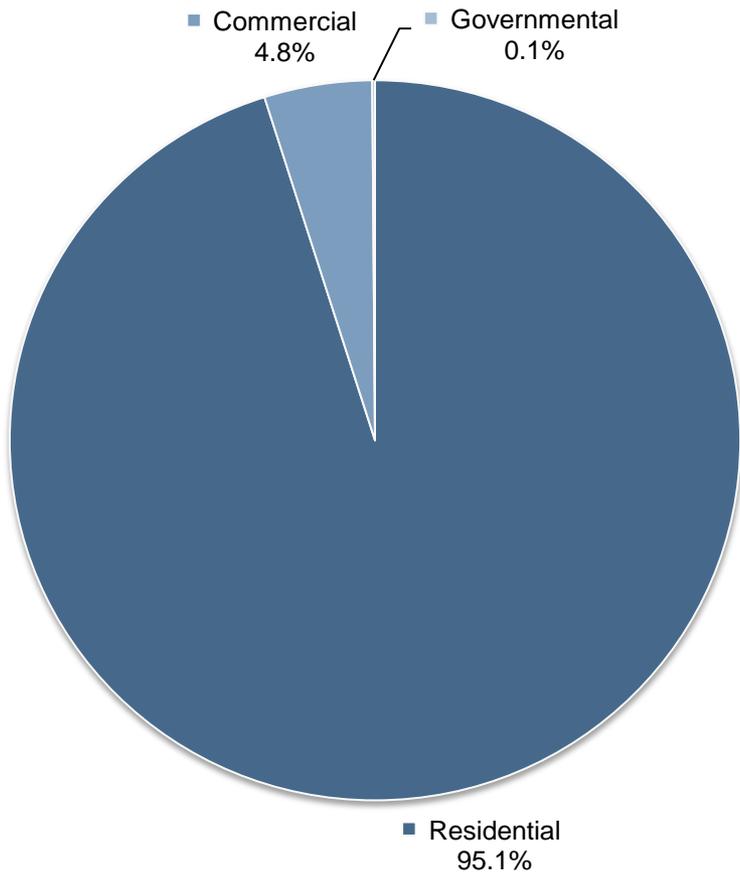
Notes: Residential statistics include mobile homes
 Exposures shown are building and contents only
 Governmental policies are defined as those with at least one governmental item



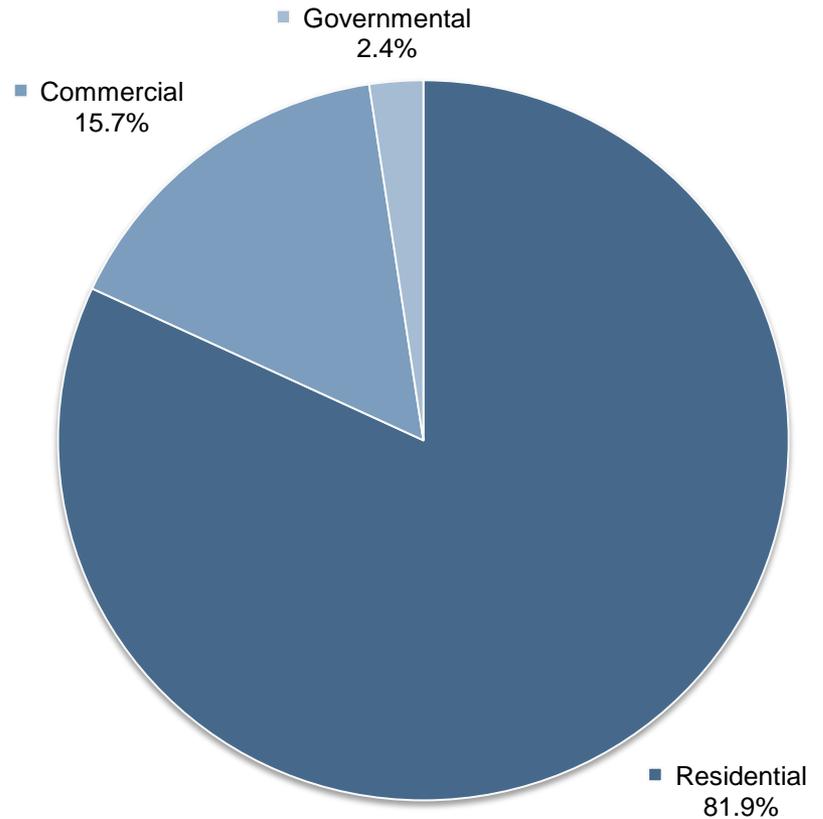
Distribution By County and Class of Business

Evaluated as of 8/31/12

Policies In-Force



Exposures In-Force





Residential Distribution By AOI and Occupancy

Evaluated as of 8/31/12

Amount of Insurance	Primary Residential Dwellings			Secondary Residential Dwellings		
	Dwellings	Total Exposure	Average Limits	Dwellings	Total Exposure	Average Limits
\$0 - \$25,000	320	5,842,000	18,256	2,215	34,422,000	15,540
\$25,001 - \$50,000	2,372	103,851,000	43,782	4,344	180,422,000	41,534
\$50,001 - \$75,000	10,154	669,538,000	65,938	7,676	493,074,000	64,236
\$75,001 - \$100,000	22,726	2,042,404,000	89,871	8,613	765,153,000	88,837
\$100,001 - \$125,000	27,943	3,192,353,000	114,245	6,520	740,677,000	113,601
\$125,001 - \$150,000	31,660	4,394,059,000	138,789	5,990	832,037,000	138,904
\$150,001 - \$175,000	27,013	4,412,051,000	163,331	4,150	676,127,000	162,922
\$175,001 - \$200,000	22,956	4,326,508,000	188,470	3,357	634,952,000	189,143
\$200,001 - \$225,000	14,260	3,030,755,000	212,535	1,835	391,784,000	213,506
\$225,001 - \$250,000	11,208	2,675,194,000	238,686	1,756	422,367,000	240,528
\$250,001 - \$300,000	12,963	3,560,869,000	274,695	1,867	517,988,000	277,444
\$300,001 - \$400,000	10,314	3,536,758,000	342,908	1,748	606,319,000	346,864
\$400,001 - \$500,000	3,283	1,457,647,000	443,998	732	330,097,000	450,952
\$500,001 - \$1,000,000	2,219	1,425,715,000	642,503	691	453,298,000	656,003
\$1,000,001 - \$1,500,000	193	234,705,000	1,216,088	83	101,298,000	1,220,458
\$1,500,001 - \$1,773,000	14	22,286,000	1,591,857	10	16,508,000	1,650,800
Total All Limits	199,598	35,090,535,000	175,806	51,587	7,196,523,000	139,503

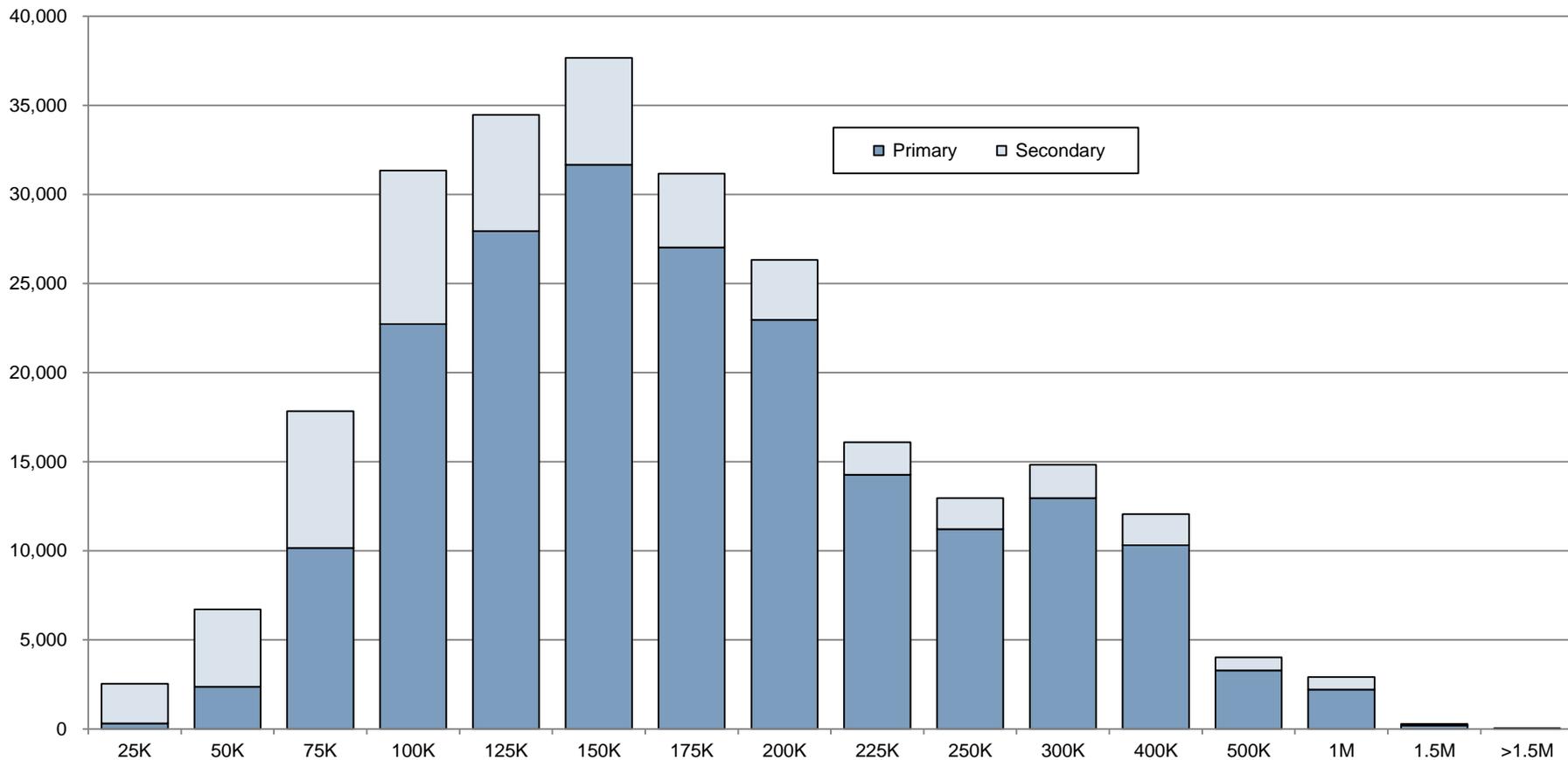
Notes: Exposures shown are building only



Residential Distribution By AOI and Occupancy

Evaluated as of 8/31/12

Residential Dwellings In-Force





Non-Residential Distribution By AOI and Class

Evaluated as of 8/31/12

Amount of Insurance	<u>Commercial Risks</u>			<u>Governmental Risks</u>		
	Structures	Total Exposure	Average Limits	Structures	Total Exposure	Average Limits
\$0 - \$25,000	2,449	29,439,000	12,021	932	8,670,000	9,303
\$25,001 - \$50,000	1,433	55,484,000	38,719	515	21,291,000	41,342
\$50,001 - \$75,000	1,240	79,655,000	64,238	222	13,720,000	61,802
\$75,001 - \$100,000	1,433	129,251,000	90,196	140	12,171,000	86,936
\$100,001 - \$150,000	2,612	334,380,000	128,017	220	27,787,000	126,305
\$150,001 - \$200,000	2,751	482,683,000	175,457	142	25,143,000	177,063
\$200,001 - \$250,000	2,178	495,893,000	227,683	110	24,877,000	226,155
\$250,001 - \$400,000	4,177	1,339,532,000	320,692	205	64,039,000	312,385
\$400,001 - \$500,000	1,602	723,756,000	451,783	84	38,512,000	458,476
\$500,001 - \$750,000	2,118	1,294,019,000	610,963	124	76,269,000	615,073
\$750,001 - \$1,000,000	994	863,932,000	869,147	105	92,216,000	878,248
\$1,000,001 - \$1,500,000	787	968,072,000	1,230,079	98	120,136,000	1,225,878
\$1,500,001 - \$2,000,000	389	683,254,000	1,756,437	56	98,326,000	1,755,821
\$2,000,001 - \$3,000,000	307	761,770,000	2,481,336	56	139,088,000	2,483,714
\$3,000,001 - \$4,000,000	210	748,871,000	3,566,052	56	197,925,000	3,534,375
\$4,000,001 - \$4,424,000	203	876,703,000	4,318,734	119	515,994,000	4,336,084
Total All Limits	24,883	9,866,694,000	396,523	3,184	1,476,164,000	463,619

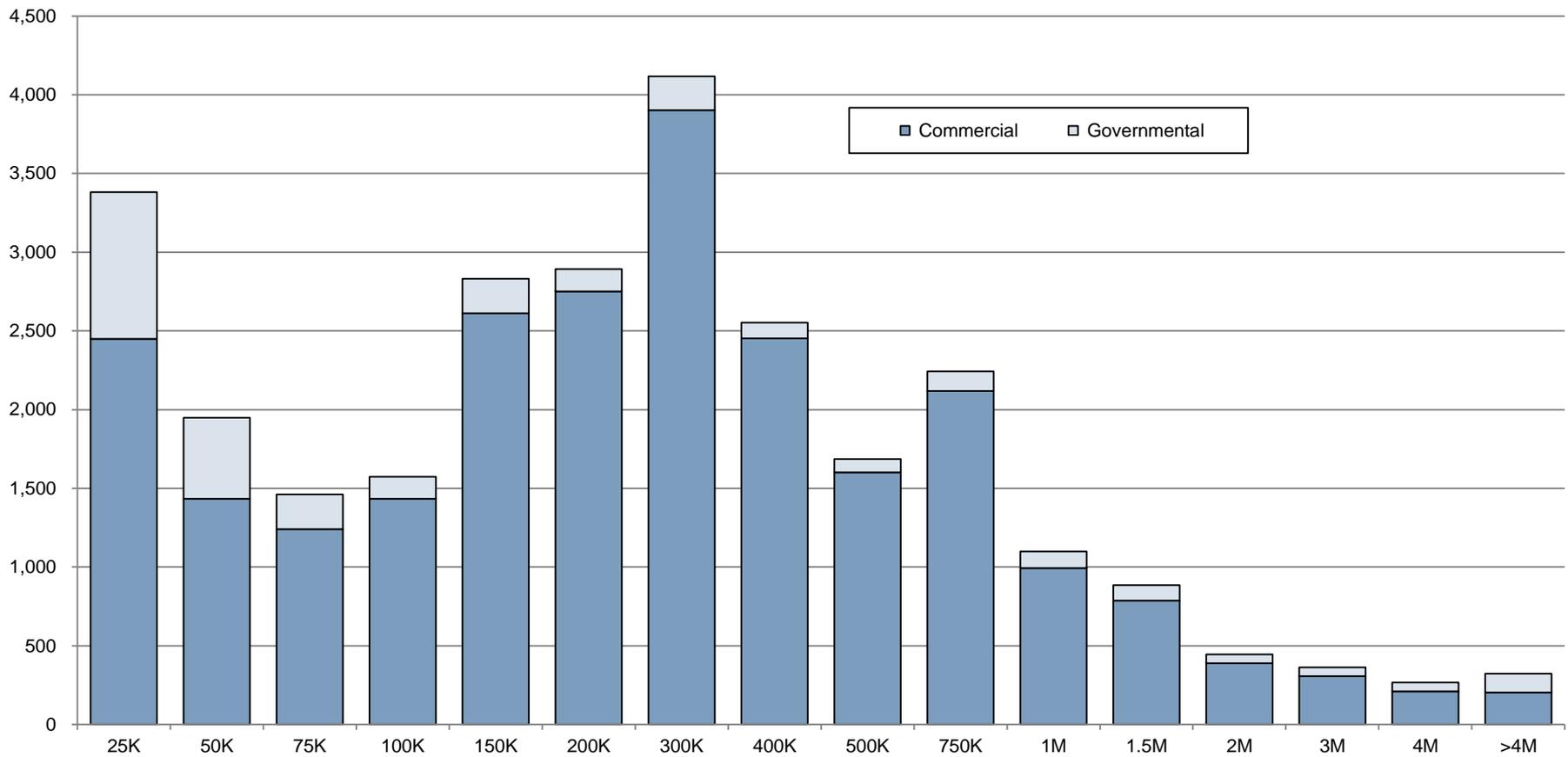
Notes: Exposures shown are building only



Non-Residential Distribution By AOI and Class

Evaluated as of 8/31/12

Non-Residential Risks In-Force

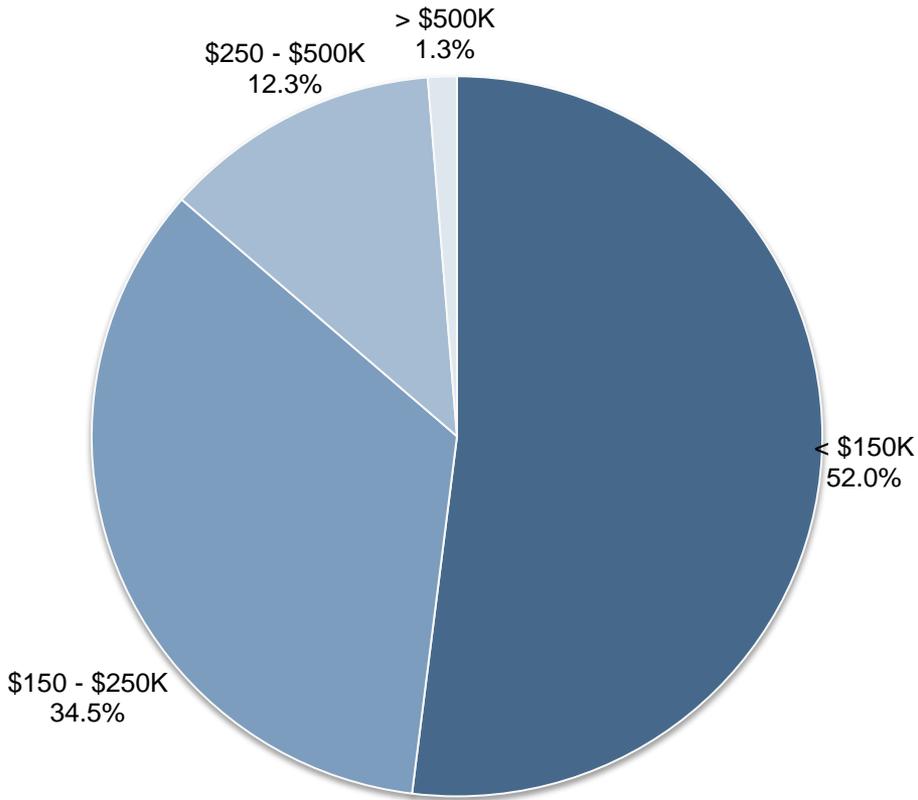




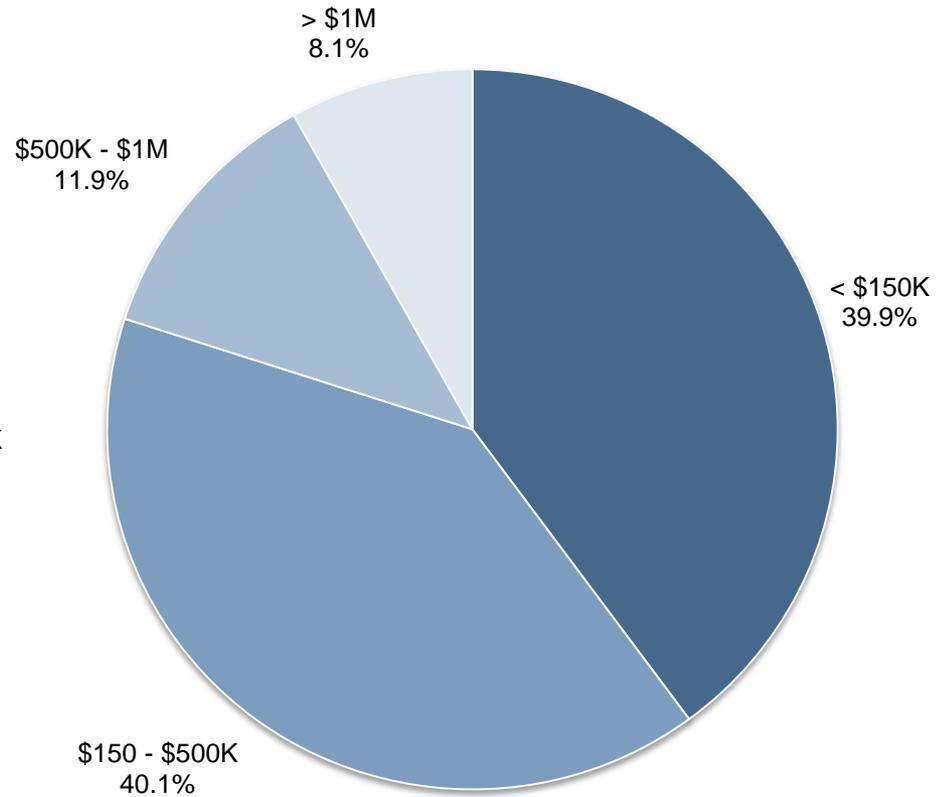
Distribution By Amount of Insurance

Evaluated as of 8/31/12

Residential Structures In-Force



Non-Residential Structures In-Force





Windstorm Building Codes

Compliance and Loss Experience

TWIA Residential Structures Receiving Premium Credits For Compliance with Applicable Building Codes

County	% Structures Receiving Bldg Code Credits
Aransas	25.1%
Brazoria	30.8%
Calhoun	21.1%
Cameron	18.6%
Chambers	44.5%
Galveston	31.5%
Harris	18.1%
Jefferson	9.8%
Kenedy	26.1%
Kleberg	8.5%
Matagorda	13.4%
Nueces	18.9%
Refugio	12.5%
San Patricio	21.0%
Willacy	17.4%
All Counties	24.0%

Performance of Building Codes in TWIA Claims Resulting from Hurricane Ike

Building Code	Policies with Claims	Reduction in Claim Frequency	Average Reported Claim	Reduction in Claim Severity
International Residential Code *	44.9%	-36.8%	12,641	-36.7%
Windstorm Resistant Construction *	58.3%	-18.0%	17,132	-14.3%
Prior or None	71.1%		19,982	
All Counties	66.6%		19,130	

* Building Codes Eligible for Premium Credits

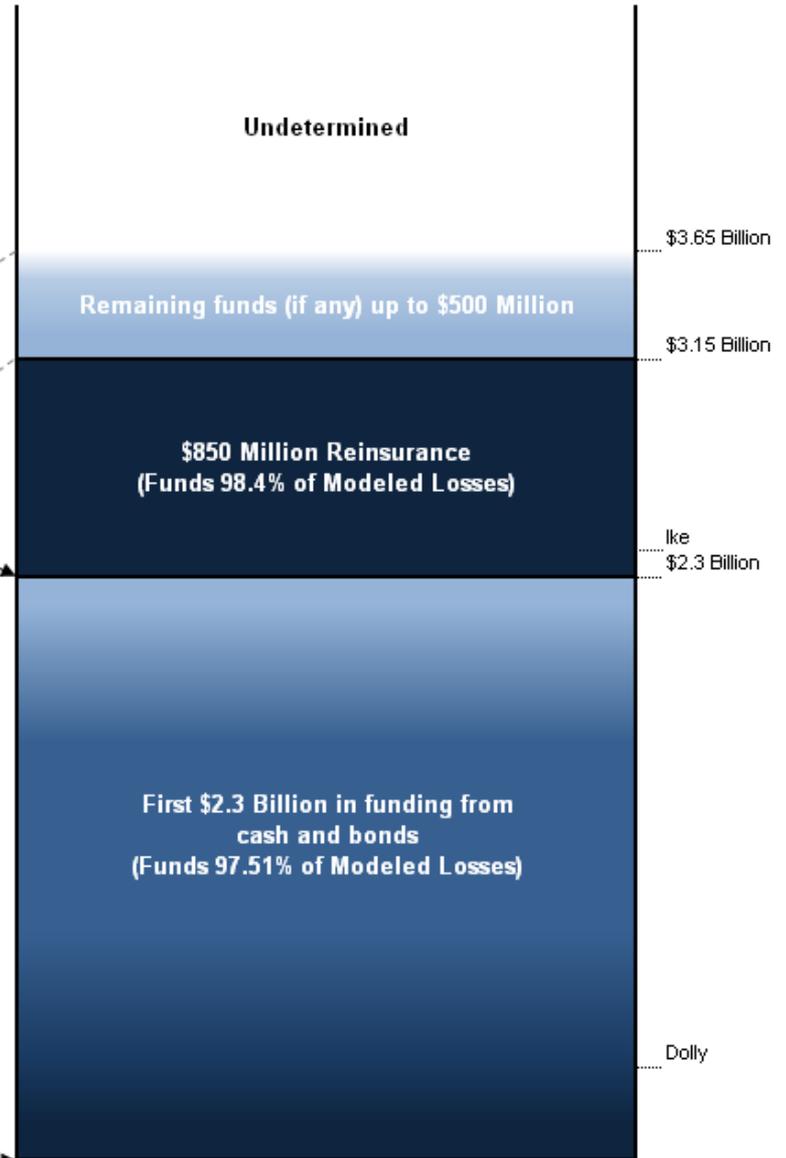


TWIA 2012 Funding Including Reinsurance

TWIA Funding Sources
(Cash and Bonds)



Potential Loss Funding



Notes: Actual amounts of bond tranches are subject to marketability

Presentation as of 8/31/12